

IRS EXPANDS AND MAKES PRE-FILING AGREEMENT PROGRAM PERMANENT

WASHINGTON --The IRS announced Friday that the Pre-filing Agreement Program will be offered on a permanent and expanded basis to Large and Mid-Size Business (LMSB) taxpayers.

Pre-filing Agreements (PFA) allow a taxpayer to request examination of specific issues relating to a tax return before it is filed. The purpose of PFA is to resolve issues involving factual questions and well-settled principles of law.

PFA was successfully piloted in 2000 for large businesses. "Pre-filing agreements are a component of the LMSB issue management strategy to resolve disputes earlier with taxpayers and eliminate controversy sooner in the process," said Larry Langdon, LMSB Division, Commissioner.

The PFA pilot program received considerable input from taxpayers and showed a more than 50 percent savings in resources to resolve the issue.

Pre-filing examinations can often resolve issues more effectively and efficiently than a post-filing examination because the taxpayer and the IRS have more timely access to the records and personnel relevant to the issue. A pre-filing examination also provides the taxpayer with a greater level of certainty regarding the examined issue at an earlier point in time than a post-filing examination.

The pilot demonstrated that the PFAs were cost efficient, taxpayers were able to file more compliant returns within prescribed time frames, taxpayer burden decreased and the IRS conserved resources.

The permanent program expands on the pilot in two ways. Both large and mid-sized business taxpayers under the jurisdiction of LMSB are eligible to participate in the program. Some international issues will be considered.

Business taxpayers interested in participating in this program should contact the IRS Team Manager if they are currently under examination. Those taxpayers not under examination may apply based on the procedures outlined in the Revenue Procedure 2001-xx released today. Taxpayers should include basic information and a statement detailing the specific issue and relevant facts.

Additional information on the PFA, including information on user fees, may be found in Revenue Procedure 2001-22 on the IRS Web site at www.irs.gov.

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